

**FIRST, LET'S STOP BOMBING [P.9]**

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# GUARDIAN



## THE CASE FOR MUD

**A public power agency could cut electric rates by 20 percent — and still make millions of dollars. A 35th-anniversary special [p.14]**

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This week: As the bombs drop — what's going on, how to respond



# THE CASE FOR MUD

## The 32 years war

By Tim Redmond

This is how it works:

You're running a multibillion-dollar corporation, and the very heart of your operation, your most profitable market, is threatened. And all you have to do to protect it is convince the major news media, the politicians, and most of the community organizations and respected civil leaders never to take seriously anything that one small independent newspaper has to say about you.

So over the course of more than three decades, you buy a lot of ads in the newspapers and on TV, and you put together a slick, sophisticated public relations staff, and you make sure that your top executives maintain close business and personal ties to the top executives at the major media outlets. And you give a lot of money to local politicians — particularly the liberal politicians, because they're the ones who might have the credibility with the voters in a very Democratic city — and you tell them you don't care what they say or do about taxes, or welfare, or civil rights, or much of anything else that liberals might care about. It's all fine — as long as you don't ever talk about (much less support) that crazy idea coming from that alternative newspaper.

And you give generously to charities and com-

munity organizations, every good cause in town (after all, you can just charge your ratepayers for it, anyway) — no strings attached. Just as long as nobody from the organization says the forbidden words.

And just for the hell of it, you do things like get that annoying little paper kicked out of the local Press Club's journalism awards contest, then the state publishers' association contest, just to make sure its dangerous words don't get any credibility anywhere.

What you do is spend millions and millions of dollars trying to create the impression that the folks at the *San Francisco Bay Guardian* are just a bunch of lunatics who are obsessed with the foolish idea that the city ought to run its own electric utility. How could that work? The city can't even run a bus system.

Since 1969, when the *Bay Guardian* first revealed how Pacific Gas and Electric Co. was cheating San Francisco out of cheap, public power — how the utility had lined up city hall in an ongoing violation of an act of Congress and a decision of the Supreme Court — PG&E's strategy has been to keep public power off the progressive political agenda, to make it an issue nobody wanted to touch.

But the *Bay Guardian* never, ever gave up — and slowly but surely, PG&E's political teflon began to wear off.

And then a few months ago power bills started going way up — and the lights started going out.

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When Joe Neilands, a professor of biochemistry at UC Berkeley and an antinuclear activist, brought the story of the Raker Act scandal to Bruce B. Bruggmann, editor of a struggling, three-year-old "fortnightly" paper called the *Bay Guardian* back in 1969, Bruce had no idea he was launching the first salvo in a 32 years war. Bruce had worked at good daily newspapers (the *Lincoln*, *Neb.*, *Star*, the *Milwaukee Journal*, the old *Redwood City Tribune*) before starting his own paper, and when real, important local news broke, those papers covered it.

But the Raker Act scandal broke to a deafening silence from the *San Francisco Examiner* and the *San Francisco Chronicle* — a silence that continues to this day (see page 26). Bruce kept after the story — week after week, year after year. And like rats following a corporate pied piper, the political power structure continued to march to PG&E's tune.

The *Bay Guardian* didn't go away. The paper has grown into a civic institution, with more than 700,000 readers. And with Bruce's leadership, a grassroots coalition has come together to fight PG&E.

Eighteen months ago, the Coalition for Lower Utility Bills — a group of people decidedly out of the mainstream power structure who refused to buy PG&E's lies — decided to collect signatures for an

initiative to create a municipal utility district in San Francisco and Brisbane. CLUB, which Bruce helped inspire, was in part a response to the disaster of deregulation, but nobody could have expected how quickly the issue would come home. Just as the MUD petition was working its way — with great resistance — through city hall, the California electric-power system began to collapse under the weight of a disastrous pro-private utility scheme (one that almost all of the state's news media had supported, and the *Bay Guardian* had strongly opposed).

And now, with PG&E in bankruptcy court, almost every politician in town is suddenly talking about and supporting public power. And reporters from around the country are calling Bruce to talk about the *Bay Guardian's* coverage of an issue that's suddenly very much in the big time. The *New York Times*. The *Los Angeles Times*. The *Sacramento Bee*. *Frontline*. National Public Radio's *Morning Edition*. The only media outlet that isn't interested, it seems, is the *San Francisco Chronicle*.

Thirty-five years ago, Bruce and his wife, Jean Dibble, started the *Bay Guardian* as an alternative to the lame and moribund daily newspaper combine in San Francisco. In 2001 the alternative press is a major force in the nation, Bruce and Jean are running a successful independent paper, the whole country is watching the battle for public power in this city — and the one big daily in town is still blacking out the story.

But after all these years, the issue is now right in the forefront of San Francisco politics — and it's never going to go away. ♦

## editorial

## First, stop the bombing

There are all sorts of legitimate, complex, and serious questions about how the United States should respond to the horrifying attacks of Sept. 11. But there's at least one thing we clearly shouldn't be doing: We shouldn't be dropping bombs on Afghanistan.

Let's start with the purely practical considerations. The bombs aren't going to kill Osama bin Laden (who is almost certainly hiding somewhere safely out of the line of fire). Bombing isn't going to wipe out the Taliban leaders — they're hiding too.

But the bombs are bound to damage what little civilian infrastructure is left in Afghanistan (the Soviet Union bombed most of it into the Stone Age in the 1980s) and kill a lot of innocent civilians. It will also create exactly the kind of political backlash that bin Laden and his associates want — and quite possibly spur further terrorist attacks on the United States. This will spur President Bush to even further military action, which will escalate the cycle again. Bombing, in other words, is playing right into the hands of the people who want to draw the United States into a bloody and extended holy war.

Most of the residents of Afghanistan don't support the Taliban. But every person killed by an American bomb will leave behind a family — fathers, sons, mothers, sisters, uncles, and aunts — that will have one more reason to hate the United States and one more reason to be sympathetic to the words and acts of bin Laden.

It's not as if the United States has an exemplary record in that country to date. As Robert Fisk wrote

in the *London Independent* Sept. 23 (argument.independent.co.uk/commentators/story.jsp?story=95487), "Instead of helping Afghanistan, instead of pouring our aid into that country 10 years ago, rebuilding its cities and culture and creating a new political center that would go beyond tribalism, we left it to rot. Sarajevo would be rebuilt. Not Kabul. Democracy, of a kind, could be set up in Bosnia. Not in Afghanistan. Schools could be reopened in Tuzla and Travnik. Not in Jalalabad. When the Taliban arrived, stringing up every opponent, chopping off the arms of thieves, stoning women for adultery, the United States regarded this dreadful outfit as a force for stability after the years of anarchy."

The bombing has already created a human and political disaster in a very unstable part of the world. By some estimates, half a million refugees have already crowded into Pakistan or are congregating at the border — and the United States has air-dropped food for maybe 10,000. The military government of Pakistan is already pretty shaky, and protests against the regime's support of Bush's bombing campaign, combined with the flood of refugees, could spark serious problems in a country that has nuclear weapons.

All of those problems will just get worse if Bush goes beyond Afghanistan and starts bombing other countries. Syria and Iraq are on deputy defense secretary Paul Wolfowitz's list, for reasons that may not be entirely related to the Sept. 11 attacks — bin Laden's operation is, by most accounts, active in

dozens of countries, and most of them aren't being targeted for military retaliation.

There is, as we've pointed out in past editorials, another approach: The United States could do what progressive commentators around the world have been suggesting, and treat the attacks of Sept. 11 as crimes against humanity, not acts of war. That would involve two things: a new approach to U.S. foreign policy, emphasizing cooperation with the United Nations and international law, and patience. Bringing bin Laden (or whoever was responsible for the attacks) to justice in an international tribunal, through concerted diplomatic and multilateral police action, won't happen overnight. It will take time. It would almost certainly save thousands of lives.

At the same time, the United States simply has to ask the difficult question, Why do so many people hate us?, and start addressing the root causes. That means taking a deep, long, hard look at a long list of U.S. policies, including our disdain for the United Nations, our reliance on imported oil and all the problems it creates in the Persian Gulf, our continuing military and economic attacks on Iraqi civilians, our refusal to push Israel to back away from its settlements in the occupied territories and reach a real peace agreement with the Palestinians, our insistence on using military, not diplomatic, solutions to international problems, and a whole lot of other things.



Peace keepers: Theeba Soundararajan, left, a member of the International Action Center, speaks at an Oct. 7 San Francisco rally against the U.S. military action in Afghanistan.

But none of that is possible if we continue down the military road Bush has chosen. So the message coming out of the peace movement in the Bay Area should be clear and simple: First, stop the bombing. ♦

**P.S.:** The Society of Professional Journalists, at its convention in Seattle Oct. 6, passed a resolution warning of the threat of government censorship during the war against terrorism and called on the Bush administration to "mandate secrecy only when it directly serves the imperatives of national security or foreign policy." (The entire resolution is available at [www.sfbg.com](http://www.sfbg.com).) The nation's news media should be prepared to go to court immediately (as the media did during the Gulf War) to ensure the right to cover and report the news so the public will be able to make accurate decisions about military, foreign, and domestic policy.



## MUD money



**A public power agency can cut rates by 20 percent — and still operate with a budget surplus.**

**By Rachel Brahinsky and Tim Redmond**

**A** San Francisco public power agency could buy out Pacific Gas and Electric Co., cut residential electricity rates by 20 percent, dramatically reduce the city's reliance on fossil fuels — and still operate with a \$18 million annual surplus, a *Bay Guardian* analysis shows.

Our study's figures directly contradict the argument that's at the heart of PG&E's campaign against public power: they show that a municipal electrical system can be bought and run at no cost to the taxpayers — with plenty of money left over.

Our figures are all taken from public sources and are consistent with the financial reports of other major public power agencies in the state. In fact, if anything, our figures are conservative; the real benefits are almost certainly higher.

The financial issues are essentially the same for a municipal utility district and for a city power agency, so our figures would apply to either the MUD, which would be created under Measure I, or the Water and Power Agency, which would be created under Proposition F.

Calculating the financial feasibility of a municipal utility district or city power agency in detail is a complex process. Consultants typically charge upward of \$1 million for detailed feasibility studies that use all sorts of models and assumptions to come up with the sorts of figures you can take to the bank (or to Wall Street to sell bonds).

So our analysis isn't anywhere near as detailed as what the MUD or the WPA will eventually have to produce. But we've covered all of the major revenues and costs; if we're missing anything, it won't radically change the bottom line. And it's safe to say that we haven't overestimated the financial viability of public power.

The questions on the minds of most voters this fall are relatively simple: Can public power pay for itself? Will the MUD or the Water and Power Agency be a financial success? And our research shows that the answer is a resounding yes.

We've run through two scenarios, a worst-case scenario and a best-case scenario. In each case, we've found, a San Francisco public power agency is more than financially viable.

Our study is the rough equivalent

of what a MUD's or WPA's annual energy report to the public would look like once the agency was up and running. In fact, we've pretty much followed the model of the Sacramento Municipal Utility District (SMUD) and the Los Angeles Department of Water and Power (LADWP), and we've relied on those two agencies' figures to estimate some of what the city's comparable costs would be.

We've discussed our study with Ed Smeloff, the city's top energy expert, and while he couldn't verify our conclusions (since he hasn't run the numbers himself), he said that there were no major costs that we had ignored.

The results are summarized in the two accompanying charts.

### Where's the money?

Based on how other MUDs have been set up, the process in San Francisco would look something like this: The elected MUD (or WPA) directors would commission a detailed feasibility study outlining the financial future of the agency. Then they would begin negotiations with PG&E to buy the company's local transmission and distribution system. If PG&E wouldn't sell, the MUD or WPA would seize the system through the power of eminent domain.

The agency would then issue revenue bonds to cover the cost of the acquisition and start-up, hire a staff, and go into the retail power business. Sales of electricity would bring in revenue that would cover operating costs and pay off the revenue bonds; any money left over at the end could be turned back to the city's General Fund, used to reduce rates, or used for conservation and environmental projects.

So the first step in analyzing the finances of a MUD is to figure out how much revenue would be available each year. That's a relatively simple calculation. According to the California Energy Commission, PG&E currently sells about 5.4 billion kilowatt-hours of electricity to customers in San Francisco. (This figure doesn't include energy used by the city government, since government agencies use power from the city's Hetch Hetchy dam.) Residential, commercial, and industrial customers all pay different rates.

If a MUD sold power at current

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## Public power in San Francisco: Best-case scenario

(Low rates, extensive renewable energy)

Revenue <sup>1</sup>		
Residential sales	1.481 billion kwh @ 11.5¢ per kwh	\$170 million
Commercial/industrial sales	3.942 billion kwh @ 9.5¢ per kwh	\$374 million
<b>TOTAL</b>		<b>\$544 million</b>
Expenses		
Payment on revenue bonds	\$578.9 million @ 8 percent <sup>2</sup>	\$50.9 million
Cost of power		
• Hetch Hetchy	425 million kwh @ 4¢ per kwh <sup>3</sup>	\$17 million
• Solar, wind, efficiencies	500 million kwh <sup>4</sup>	\$38 million
• Potrero Hill plant	1.6 billion kwh @ 6.9¢ per kwh	\$110 million
• Contract purchases	2.90 billion kwh @ 5.5¢ per kwh <sup>5</sup>	\$160 million
Operations and maintenance <sup>6</sup>		\$131 million
Replace PG&E's city taxes <sup>7</sup>		\$9.4 million
Public benefits <sup>8</sup>		\$10 million
<b>TOTAL</b>		<b>\$526 million</b>
<b>Surplus</b>		<b>\$18 million</b>

**This chart shows** how a San Francisco public power agency could take over Pacific Gas and Electric Co., reduce the city's reliance on fossil fuels, provide all of the electricity the city needs, and still have money left over.

The analysis would apply to either a municipal utility district or a city water and power agency. Proposals for both are on the November ballot.

(The MUD proposal would include both San Francisco and Brisbane, but since Brisbane is a very small area — only about 4,000 residents — and since it's difficult to get accurate data on Brisbane's current usage, our numbers include only San Francisco. The cost of providing service to Brisbane and the revenue from that jurisdiction would not significantly change the analysis.)

The scenario presented here is an optimistic one — although, based on our research, the figures are quite realistic. All of the figures we've used are conservative — if anything, our analysis underestimates the financial viability of the MUD or a city WPA.

The bottom line: Even with residential rates 20 percent below what PG&E currently charges, and with a huge investment in solar and wind power (five times the size of what the city is currently planning), the MUD or WPA would run a large surplus.

This study reflects what a MUD or WPA would be facing several years into its existence. In the first few years, the agency would probably have to buy more power on the open market and would generate less from solar and wind (which take time to set up). But on balance that probably lowers the cost of power (solar is comparatively expensive).

There are certain to be factors that we missed — although our cost and revenue projections are very similar to what we found in the annual reports of other large public power agencies such as the Sacramento Municipal Utility District (SMUD) and the Los Angeles Department of Water and Power (LADWP). But we've accounted for every foreseeable big-ticket item, and the projected surplus is large enough to cover unexpected costs.

<sup>1</sup>Revenue is based on sales of 5.4 billion kilowatt-hours: the amount PG&E currently sells in San Francisco, according to the state Energy Commission. A MUD or WPA could set rates at any level it wanted; for this analysis, we set residential rates at 20 percent below PG&E's current rate of 14¢ a kilowatt-hour rate (which is projected to rise sharply). We assumed that commercial and industrial rates would be at the lower end of PG&E's scale.

<sup>2</sup>This assumes the MUD or WPA can buy PG&E's assets at current market value, as assessed by the state Board of Equalization as of Jan. 1, 2001 (see story for details). Ken Bruce of the Board of Supervisors' Budget Analysts Office told the *Bay Guardian* that 8 percent would be a reasonable projection for the interest on revenue bonds.

<sup>3</sup>Hetch Hetchy currently generates about 1.7 billion kilowatt-hours a year, and half of that goes for city government needs — Muni, the lights at City Hall, etc. We assumed that the city would pay the MUD what it pays now — the actual cost of generating the power — so the power sold to the city would be a financial wash. Thus it's not in our analysis as either a cost or a revenue item.

The cost we project for Hetch Hetchy power is high — it includes unfavorable contracts that will expire in five years (see story). The actual future cost would be closer to 2¢ a kilowatt-hour.

<sup>4</sup>The cost of solar and wind is based on financial estimates for Prop. B.

<sup>5</sup>It's impossible to determine exactly what it would cost the MUD or WPA to purchase power in the future, but future contracts currently listed on the New York Mercantile Exchange are going for less than 4¢ a kilowatt-hour, and that price is expected to drop. Again, we took a conservative estimate; actual costs might be lower.

<sup>6</sup>Based on the cost per customer of operations and maintenance at LADWP (see story).

<sup>7</sup>The MUD would have no obligation to pay city taxes, but almost all of the candidates for MUD director have pledged to make sure the city doesn't lose money — in other words, the MUD would almost certainly pay fees equivalent to what PG&E was paying in taxes (see story).

<sup>8</sup>The state mandates that power companies or agencies spend 2 percent of revenues on "public benefits" — conservation, environmental programs, and the like.



## Public power

From page 14

PG&E rates (as provided to us by PG&E spokesperson Ron Low), it would bring in \$562 million in revenue (enough to create a big annual surplus — roughly \$36 million.) But a MUD or power agency almost certainly wouldn't sell power at PG&E's high rates — one major attraction of public power is that it offers cheaper electricity. So in both of our scenarios, we assumed that the rates would be at least 10 percent below PG&E's rates. In fact, as our study shows, rates could drop as much as 20 percent without harming the MUD or WPA's viability.

### What's it cost?

There are three basic categories of costs that the agency would have to cover. The first is payments on the bonds, the second is generating or buying power, and the third is basic operations and maintenance (paying the staff to keep the system up and running, to send out bills, to read meters, as well as operating the repair trucks, etc.).

Electricity can't just be delivered to the doorsteps of customers like canned ham in a UPS box. It has to be distributed through a network of transformers, substations, wires, and poles and measured with individual meters. And until the public power agency owns that distribution network, it can't sell a single kilowatt.

Unfortunately, the system that's now in place in San Francisco is owned by PG&E — and almost everyone involved agrees that it would be cheaper, easier, and quicker for the city to take over that system than to build a new one from scratch. That's what SMUD did and what most other public agencies that have gotten into the power business in the past half century have done.

A MUD or a city power agency would have the right to seize PG&E's property by eminent domain. But PG&E would be entitled under law to fair compensation for the taking of its property, and one of the most complex, bitter — and crucial — issues involved in establishing public power will be the price tag.

"This is not an easy case at all," Richard Epstein, a professor of law at the University of Chicago and a national expert on eminent domain, told us. "I can guarantee you that nobody, but nobody, has any idea right now what fair compensation would be." The issue will almost certainly be settled in court.

PG&E insists that its San Francisco property is worth a small fortune — as much as \$1.4 billion. In a 1996 study the Economic and Technical Analysis Group suggested that the

**Our analysis is based on the assumption that San Francisco will move as rapidly as possible to reduce its reliance on fossil fuels.**

price could be anywhere from \$315 million to \$1.2 billion. The ETAG study, which was highly favorable to PG&E, suggested that the most likely figure was around \$795 million.

The reason those figures are so widely divergent is that there are numerous ways of evaluating what a utility's property is worth. The simplest is to establish what PG&E originally paid for the property, then factor in depreciation. That's how insurance companies decide what they have to pay you if your car is stolen. The process generally leads to a low figure favorable to the city.

But courts have recently been somewhat more friendly to an analysis that recognizes that utility property is more valuable than, say, a private car, because the utility property produces income. One way to address that is by valuing the property at its replacement cost and factoring in the value of a "going concern" — which, of course, leads to a much higher price.

### Real market value

But there's another way to look at the issue, and that involves going to the state agency that appraises the actual market value of PG&E's property for tax purposes: the Board of Equalization. Every year the board's appraisers evaluate exactly what PG&E's property is worth — and the agency's record is pretty good. When California's private utilities sold 22 power plants under deregulation, the board checked its appraisals against actual market prices, and while sale prices for some

plants varied from estimates, the board was accurate to within 1 percent overall, chief appraiser Harold Hale told us.

The Board of Equalization estimated that as of January 2001, all of PG&E's property in San Francisco was worth \$962,140,298. That includes property that isn't at all relevant to running an electric utility. The value of the property actually used in the electricity business, the board says, is \$753,978,471.

But that figure includes PG&E's huge 77 Beale St. headquarters office complex, which the city almost certainly wouldn't want or need to buy in an eminent domain action. If you subtract 77 Beale St. (which one real estate expert we contacted said was worth about \$225 million as of Jan. 1), then the value of the property the city might actually buy is about \$528 million.

It may be even less than that: the real estate market has fallen almost 15 percent since Jan. 1, according to our expert, a senior executive at one of the city's biggest firms, who asked not to be identified by name. However, to be conservative, we're sticking with the Jan. 1 figure.

Epstein, who has worked as a consultant fighting municipalization efforts and thus isn't inclined to be biased in favor of a public buyout, agreed that using the Board of Equalization figures is "certainly a good place to start."

There's no guarantee that the courts will accept this approach (although,

with PG&E in bankruptcy court right now, it's also entirely possible, experts say, that PG&E might be forced to accept a much lower value for its property and sell it without a fight, in order to pay off some creditors with cash). So we also analyzed a worst-case scenario, essentially accepting the figures of ETAG's much maligned report and assuming that, under a replacement cost-plus—"going concern" analysis, the city would have to spend \$795 million to take over the system. (Even ETAG concluded that it's unlikely the final price would be as high as PG&E's estimate; nobody whose property is up for seizure starts off by quoting a realistic price.)

No matter what the price, the bond sale will have to include some money for contingencies — the actual cost of the bond sale, start-up cash, etc. We've added \$50 million for those costs.

### Paying the staff, buying power

PG&E doesn't publicly reveal its operating costs for San Francisco (or any other specific service area). And it's difficult to use the company's system-wide operating costs as a basis for estimating San Francisco costs, since the population of San Francisco is so much denser than in most of the company's northern California territory. The denser the population, the cheaper it is to serve; the distance between customers is smaller, so you need less transmission line per customer. Reading meters is faster, since the employee doing that work doesn't have to drive long distances between each house. Repairs and maintenance are cheaper for the same reason.

And PG&E's costs aren't a fair comparison for a public power agency anyway: PG&E pays huge executive salaries (see "Public Power vs. PG&E," page 24), which are included in the operations overhead.

So we based our cost estimate on LADWP, which is about as close a comparison to San Francisco as we could

find. Los Angeles is not quite as dense as San Francisco, so the L.A. figures are almost certainly higher than what San Francisco would pay, but they provide a reasonable, if conservative, estimate. LADWP's cost per customer is \$383; multiplied by the number of customers in San Francisco, that cost is \$131 million a year.

Then there's the question of generating or buying the electricity. Here San Francisco has a huge advantage over other public power agencies: The city owns a large hydroelectric dam that can generate enough to cover some of the local power needs — and it's already paid for. Power from the Hetch Hetchy dam is cheap: the cost of operating the system is only about

2¢ a kilowatt-hour. Unfortunately, the city also has to pay PG&E to ship the power over its lines to the city borders, since the city has no complete transmission line to carry the power here; San Francisco pays PG&E \$9.6 million a year in what's known as "wheeling fees."

San Francisco currently sells most of the available Hetch Hetchy power to the Turlock and Modesto Irrigation Districts. Our analysis assumes that those contracts will be broken and that much of the power — 425 million kilowatt-hours' worth — will be available to the MUD or WPA.

The city also has a very expensive contract with Calpine to provide backup energy when water is low at the dam. The wheeling fees and Calpine deal boost the actual cost of Hetch Hetchy power to about 4¢ a kilowatt-hour. But the Calpine deal ends in five years, at which point Hetch Hetchy power will be far less expensive — and the MUD's costs will go down.

### Green power

Our analysis is based on the assumption that San Francisco will move as rapidly as possible to reduce its reliance on fossil fuels (see "Green City," 9/26/01). Not all of the alternative-energy sources that should ul-

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**Three classic covers on the PG&E wars:** The top two covers illustrate two major stories (Jan. 13, 1988, and Dec. 9, 1987) on our unsuccessful fight to stop then-mayor Dianne Feinstein's \$20 million giveaway to PG&E. The bottom cover (Oct. 8, 1997) illustrates our 31st-anniversary special on how private foundations allowed PG&E and its allies to steal the Presidio.



# THE CASE FOR MUD

## Public power in San Francisco: Worst-case scenario

(Moderate rates, less renewable energy)

Revenue		
Residential sales	1.481 billion kwh @ 12.6¢ per kwh <sup>1</sup>	\$186 million
Commercial/industrial sales	3.942 billion kwh @ 9.5¢ per kwh <sup>2</sup>	\$374 million
<b>TOTAL</b>		<b>\$560 million</b>
Expenses		
Payment on revenue bonds	\$850 million @ 8 percent <sup>3</sup>	\$74.4 million
Cost of power		
• Hetch-Hetchy	425 million kwh @ 4¢ per kwh	\$17 million
• Solar, wind, efficiencies	98 million kwh <sup>5</sup>	\$7.5 million
Purchased power <sup>6</sup>		
• Potrero Hill plant	1.752 billion kwh @ 6.9¢ per kwh	\$120 million
• Contract purchases	3.098 billion kwh @ 5.5¢	\$170 million
Operations and maintenance <sup>7</sup>		\$131 million
Replace PG&E's city taxes <sup>8</sup>		\$9.4 million
Public benefits <sup>9</sup>		\$10 million
<b>TOTAL</b>		<b>\$539 million</b>
<b>Surplus</b>		<b>\$21 million</b>

This chart shows how a public power system in San Francisco would operate if some of the worst-case assumptions are true: if, for example, the municipal utility district or power agency had to spend \$800 million to buy out PG&E's system (the highest likely figure, even according to pro-PG&E studies) and if the MUD was unable to fund and site affordable renewable-energy systems and was thus forced to rely on buying a large amount of its power from the Potrero Hill plant (owned by Mirant Corporation) and from other generators through long-term contracts.

Even under those circumstances, the chart shows, the MUD could cut residential rates by 10 percent, keep commercial and industrial rates at the low end of PG&E's rates, and still end the year with a surplus.

As in all of our calculations, the numbers are very conservative; expenses would probably be considerably lower.

<sup>1</sup>The MUD could set rates at any level it wanted; for this scenario, we've set residential rates at 10 percent below PG&E's current rates.

<sup>2</sup>The commercial/industrial rate is at the low end of PG&E's equivalent rate.

<sup>3</sup>See story for details on the \$850 million figure. The bond rate of 8 percent is based on an estimate from Ken Bruce of the Board of Supervisors' Budget Analyst's Office.

<sup>4</sup>See story and "Public Power in San Francisco: Best-Case Scenario" for details.

<sup>5</sup>This is the amount of solar and wind power projected in the city's report on the solar bond measure, Proposition B.

<sup>6</sup>See story and "Best-Case Scenario" for details.

<sup>7</sup>Based on comparable costs per customer at LADWP.

<sup>8</sup>See story.

<sup>9</sup>See story.

## Public power

From page 17

timately be part of the city's mix are likely to be online when the MUD starts operating, so we've again been conservative, assuming in our worst-case scenario only a modest amount of solar power to supplement Hetch Hetchy power. In our best-case scenario we assume that the city will be able to develop 200 megawatts of solar and wind power — five times as much as projected in the solar bond measure, Proposition B, and enough to power 200,000 homes.

The cost of solar and wind is easy to determine: it's the cost of the interest on the bonds needed to buy and install the windmills and panels. Once they're up and running, they cost very little to operate — and the fuel, of course, is free. Based on the San Francisco Public Utilities

Commission staff's analysis of Prop. B), 40 megawatts of solar, wind, and efficiency programs — the equivalent of 98 million annual kilowatt-hours — will cost about \$7.5 million a year. Our ambitious plan — for five times that much solar and wind power — would cost \$38 million a year.

(Again, the actual costs will probably be lower; once a big agency orders a large amount of solar- or wind-generating facilities, the price goes down substantially.)

The rest of the power the city needs will have to be bought on the open market. Because the market is so volatile, it's hard to say exactly what that cost would be. But futures contracts for power are listed on the New York Mercantile Exchange Web site, and they're currently running at less than 4¢ a kilowatt-hour. That price is expected to decline in the future.

Again, we've stuck to conservative numbers, assuming the MUD or WPA would have to pay 6.9¢ a kilowatt-hour for power generated locally, by Mirant Corp.'s Potrero Hill power plant (one energy expert told us that Mirant is unlikely to accept less than the 6.9¢ the state is now paying for power), and 5.5¢ a kilowatt-hour for power bought from out-of-town sources.

We assumed that the Potrero plant would operate at its capacity. The power the city would import can't exceed the amount that can be carried along the one transmission line leading into San Francisco, and our projection meets that criterion.

PG&E pays a substantial amount of taxes to the city, and almost all of the San Francisco-Brisbane MUD Board candidates have pledged to make sure that, at the very least, the city's Gen-

Continued on page 20

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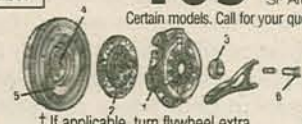
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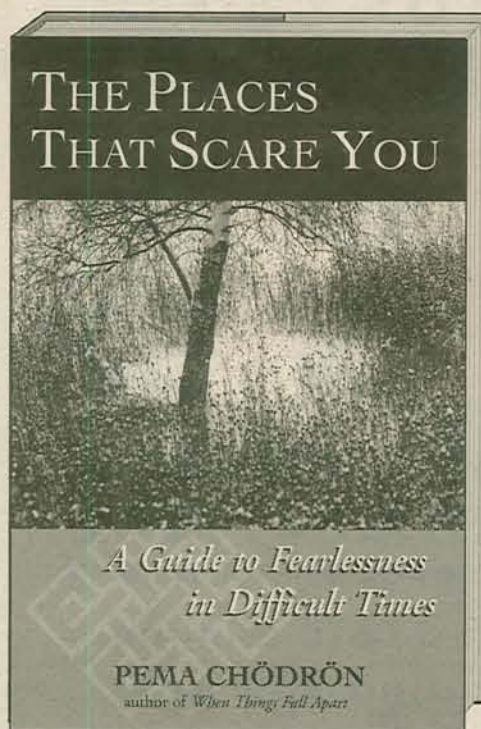
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# THE CASE FOR MUD

Democracy in action...  
ain't it wonderful ?!



The PG&E 11 genuflect again and again: This 1975 Louis Dunn cartoon illustrates the political power that PG&E has exercised at city hall throughout the years. We first used the cartoon to illustrate an editorial on what happened when the 11 supervisors were asked to approve a feasibility study for the city to take over PG&E: nothing.

## Public power

From page 18

eral Fund doesn't lose any money if the private utility is replaced with a public agency. So part of the MUD's expense would be the payment of a fee to replace what PG&E paid in taxes. The utility pays three major taxes: property taxes, a franchise fee, and business taxes.

Based on the Board of Equalization's assessed value for PG&E (\$962 million) and the city's property tax rate, PG&E's property taxes are about \$1 million. The franchise fee — 1.5 percent of sales — adds another \$8.4 million. It's impossible to say how much PG&E pays San Francisco in business taxes, since that figure is not public, but even at several million dollars a year, it wouldn't significantly change our bottom line.

## Unanswered questions

There are plenty of questions our analysis doesn't — and can't — answer, factors that are impossible at this point to predict with any accuracy. PG&E customers, for example, have to pay a substantial surcharge on their electric bills for what's known as the CTC, or competitive transition charge. In essence, that's the money ratepayers have been forced to cough up to cover the cost of PG&E's bad investments in nuclear power. It's possible that a San Francisco power agency would have to include some of those charges in its bills — but according to Mindy Spatt, media director at TURN, it's unlikely. The CTC is expected to end next year and probably wouldn't be a factor by the time the MUD or WPA was up and running.

It's also unclear whether the MUD or WPA would have to pay a share of the costs of the expensive long-term power contracts that the state Department of Water Resources has signed to buy power for the bankrupt PG&E.

There would almost certainly be some substantial legal fees, possibly in the millions of dollars, that would reduce the surplus during the first few years (but not once the eminent domain issues were settled).

Most of the MUD candidates have voted to shut down PG&E's Hunters Point plant, and it's unclear how much it will cost to decommission that facility.

The MUD or WPA could also buy the Potrero plant (it recently sold for \$330 million) and pay less for the power generated there.

And, of course, it's uncertain how much electricity will cost on the open market in the next few years. That's why the MUD or WPA would probably want to move aggressively to increase its own generating capacity. But if power prices go up, one thing is clear: PG&E's prices will go up higher, and faster, than the prices of a public power agency.

Voters won't have to take our word alone on the subject. The public will have more information on San Francisco's energy plans in the coming weeks. The county's Local Agency Formation Commission is planning to bring in experts on public power and energy for hearings, and Smeloff is hiring Amory Lovins's Rocky Mountain Institute to assess the city's energy alternatives. Both reports are expected before the Nov. 6 election.

Our analysis isn't that radical or unusual; it just confirms the experience of every other major public power agency in the state. We've found what just about everyone who's gotten out from under the private utilities already knows: public power is cheaper. It's that simple. ♦

E-mail Tim Redmond and Rachel Brahinsky at [tredmond@sfbg.com](mailto:tredmond@sfbg.com) and [rachel@sfbg.com](mailto:rachel@sfbg.com).

Research assistance by Ben Sayre.

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# PG&E'S WEB OF

## How the utility's political payola has kept San Francisco safe



### Law firms

Coblentz, Patch, Duffy and Bass	\$502,339.14
Cooley Godward	\$290,546.49
Cooper, White and Cooper	\$7,118.50
Crosby, Heafey, Roach and May	\$681.96
Farella, Braun and Martel	\$52,794.18
Hanson Bridgett Marcus Vlahos Rudy	\$35,341.26
Heller, Ehrman, White and McAuliffe	\$1,855,861.46
Howard Rice Nemerovski Canady Falk and Rabkin	\$879,674.32
Joseph I. Kelly	\$91,508.75
Landels Ripley and Diamond	\$818,315.45
McCutchen, Doyle, Brown and Enersen	\$245,602.51
Morrison and Foerster	\$495,792.00
Nielsen Merksamer Parrinello Mueller and Naylor	\$338,294.27
Orrick, Herrington and Sutcliffe	\$637,369.54
Pillsbury Madison and Sutro	\$50,924.96
Skadden, Arps, Slate, Meagher and Flom	\$242,356.00
Townsend and Townsend and Crew	\$29,150.83



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David A. Coulter

C. Lee Cox

William S. Davila

David M. Lawrence, M.D.

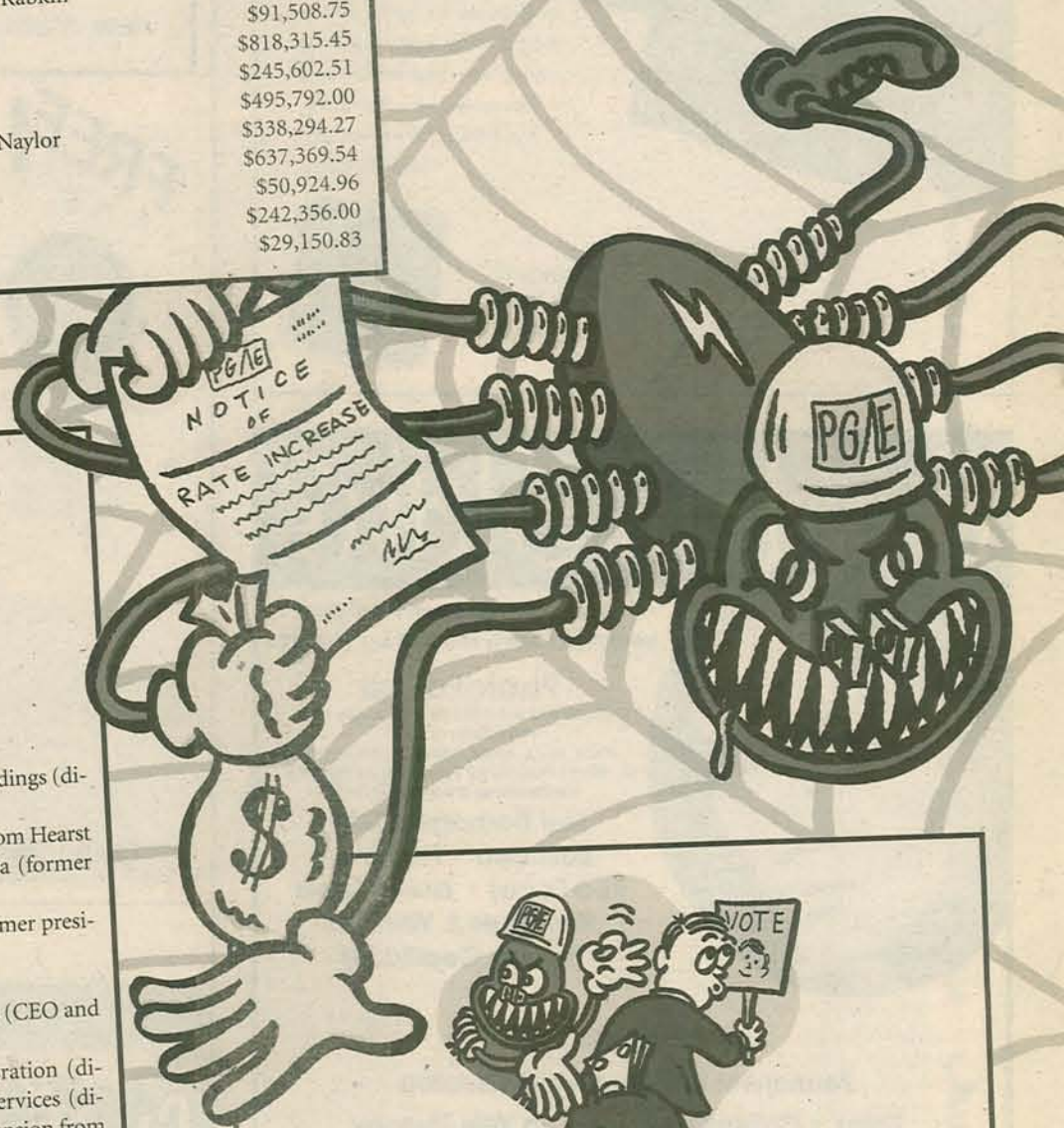
Mary S. Metz

Carl E. Reichardt

Gordon R. Smith:

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 Riverstone Networks (director); AirTouch Communications (former president, CEO)  
 Home Depot (director); Hormel Foods (director)  
 Kaiser Foundation Health Plan and Kaiser Foundation Hospitals (CEO and chair); Agilent Technologies (director)  
 S.H. Cowell Foundation (president); Longs Drug Store Corporation (director); SBC Communications (director); Sodexo Marriott Services (director); UnionBanCal Corp. (director); dean of UC Berkeley Extension from 1991 to 1998  
 Wells Fargo and Co. and Wells Fargo Bank (former chair, CEO); ConAgra (director); Ford Motor Co. (director); HCA — the Healthcare Co. (director); HSBC Holdings (director); McKesson HBOC (director, serves with board members from Wells Fargo, Charles Schwab); Newhall Management Corp. (director)  
 PG&E (president, CEO); San Francisco Partnership (director)  
 Williams Pacific Ventures (president); CH2M Hill Companies (director); Newhall Management Corp. (director); R.H. Donnelley (director); Simpson Manufacturing Co. (director); Synavant (director); USA Education (director)



### S.F. political campaign contributions, 1998-2000

State senator John Burton	\$116,056
Assemblymember Carole Migden	\$27,500
Assemblymember Kevin Shelley	\$28,000
Assemblymember Jackie Speier	\$9,500
Mayor Willie Brown	\$21,504
Supervisor Leland Yee	\$250
Supervisor Mabel Teng	\$250
Supervisor Michael Yaki	\$250



# INFLUENCE

for a private power monopoly for 88 years. *Illustrations by Gus D'Angelo*



## Donations to S.F. charities, political groups, and community groups

Bay Area Black Media Coalition	\$1,500
Bay Area Urban League	\$20,000
Chinese for Affirmative Action	\$5,000
Commonwealth Club of California	\$10,000
Friends of Recreation and Parks	\$5,000
Friends of the Urban Forest	\$3,000
Glide Memorial United Methodist	\$5,000
KQED	\$11,000

League of Women Voters of San Francisco	\$1,250
Mexican American Legal Defense and Education Fund	\$12,500
Mission Housing Development Corp.	\$6,084
La Raza Centro Legal	\$2,500
Salvation Army Golden State Division	\$393,436
San Francisco Ballet	\$50,000
San Francisco Beautiful	\$2,500
San Francisco Chronicle	\$10,000
San Francisco Conservation Corps	\$25,000
San Francisco Education Fund	\$22,500
San Francisco Girls Chorus	\$2,000
San Francisco Museum of Modern Art	\$10,000
San Francisco National Association for the Advancement of Colored People	\$2,500
San Francisco Neighbors Association	\$1,000
San Francisco Opera	\$5,000
San Francisco Police Department	\$1,500
San Francisco School Volunteers	\$10,000
San Francisco Summit for Women	\$25,000
Save San Francisco Bay Association	\$5,250
YMCA of San Francisco	\$25,000



## Business group memberships and dues

Committee on Jobs (made up of the city's largest employers; a heavy player in political campaigns and lobbying)	\$40,000
San Francisco Planning and Urban Research Association (a big business-funded think tank)	\$15,000
San Francisco Partnership (a pro-business group created by Gap chair Don Fisher)	\$25,000
Municipal Fiscal Advisory Committee (a private business group with enormous influence that advises the mayor directly on budget issues)	no fee
San Francisco Chamber of Commerce (considered the voice of big business in the city)	\$50,000
San Francisco Black Chamber of Commerce (African American business group)	\$3,000
San Francisco Hispanic Chamber of Commerce (Latino business group)	\$7,500
Bay Area Council (regional business lobbying group)	\$9,500

## 'A STRUCTURAL CON GAME'

These charts show some of the key ways in which PG&E has infused itself into San Francisco politics, society, culture, and business — using its money to make connections that have insulated the company from criticism or political challenge.

Here's how it works: PG&E gives substantial amounts of money to local politicians — in exchange for a tacit (or in some cases, explicit) agreement not to bring up or promote the issue of public power. Until the advent of district elections last year, that was a big deal for local supervisorial candidates, who had to raise more than \$250,000 to be competitive in citywide races. It's still a big issue for candidates for mayor — PG&E poured \$21,504 into the 1999 mayor's race — and for candidates for state assembly and senate and for federal offices. PG&E's campaign contributions have been remarkably effective: for years the company simply kept the issue of public power off the political agenda (although most local politicians now support the MUD). PG&E also spends a substantial amount of money on lobbying: \$71,000 in San Francisco just last year, city records show.

But direct contributions are just the start of PG&E's influence. For one thing, there's PG&E's "charity." Community groups, political groups, civic groups, all sorts of San Francisco organizations have received donations from PG&E. (That, apparently, is now slowing down: one group that received money from PG&E last year, Deedee Workman of San Francisco Beautiful told the *Bay Guardian* that PG&E had declined to give any money for 2001, saying that all the available cash was going to programs to give rate relief to low-income ratepayers who are swamped by high bills.)

Nobody at any of these groups has ever admitted that the money comes with strings attached, but the results are plain to see. In years of reporting on this issue, we've never found a single civic group that received money from PG&E that was willing to openly support public power. That pattern continues: to our knowledge, not one of the groups on our list has come out in favor of either of the public power measures on the November ballot.

"It's one of the greatest structural con games ever devised in American economic history," consumer advocate Ralph Nader told us in an interview this week. "PG&E takes the consumers' money and gives it to politicians as political payola and then to charities as grant payola. Then the politicians and the community groups are all neutralized by the money, and there's no countervailing force to fight the utility."

PG&E also spreads its money around the local legal community. The list of law firms that PG&E hired in the past year reads like a who's who of the local legal world — almost every big law firm in town got some of the action. Among the most notable: Cooley Godward, which employs Paul Renne, husband of City Attorney Louise Renne; Coblenz, Patch, Duffy and Bass, the firm of legendary local power-broker Bill Coblenz; and Cooper, White and Cooper, which for years represented the *San Francisco Chronicle*.

"That's part of the scam," Nader said. "They spread all that money around to the big law firms, so there's no major firm that can take on PG&E. Then they enlist the political power of these law firms to press their agenda."

PG&E is also a member of several key business organizations that have considerable influence at City Hall — and while it's certainly safe to argue that the interests of businesses in general in San Francisco are not always identical to the interests of PG&E (businesses also pay soaring electric bills), all of these groups have historically supported PG&E's private-power position. Even now, in the midst of an energy crisis that's causing financial problems for numerous businesses, and with PG&E in bankruptcy and service declining to the point where some businesses have to wait months to get hookups, not one business group has come out in favor of public power.

The members of PG&E's board also serve on the boards of several major local companies, along with the directors of other local companies, including the Hearst Corp., which publishes the *Chronicle*, and Bechtel, which critics say is trying to privatize the city's water system.

"Even when businesses are consumers, they don't speak up," Nader noted. "The private utilities have the establishment neutralized. You can't beat them; you have to displace them with public power."

Research by Ben Sayre.

ALL FIGURES ARE FOR 2000, EXCEPT WHERE INDICATED  
SOURCES: SAN FRANCISCO ETHICS COMMISSION, SAN FRANCISCO DEPARTMENT OF ELECTIONS, PACIFIC GAS AND ELECTRIC'S ANNUAL REPORT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION





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# THE CASE FOR MUD

## Public power vs. PG&E

How municipal utilities save customers money  
— and help pay for better public services

### Total electricity customers served<sup>1</sup>

CPAU	27,638
LADWP	1,374,424
PG&E	4,600,000
SMUD	495,167

### Lobbying expenses<sup>3</sup>

CPAU	\$0
LADWP	\$0
PG&E	\$2,055,946
SMUD	\$126,894

### Current monthly rates (for typical customer using 700 kilowatt-hours)

CPAU	\$53.34
LADWP	\$72.92
PG&E	\$94.06
SMUD	\$65.09

### Money transferred from utility to parent company for dividends, stock repurchases, etc.<sup>4</sup>

CPAU	\$0
LADWP	\$0
PG&E	\$5.1 billion
SMUD	\$0

### Employees making more than \$250,000 a year<sup>2</sup>

CPAU	0
LADWP	1
PG&E	47
SMUD	1

### Money transferred to city or county general fund for public services<sup>5</sup>

CPAU	\$7.3 million
LADWP	\$124 million
PG&E	\$0
SMUD	\$0

This chart shows how Pacific Gas and Electric Co. charges higher rates than public power agencies, wastes more money on overhead, takes huge amounts of cash out of the community, and fails to support public services. The chart compares PG&E with the City of Palo Alto Utilities, the Sacramento Municipal Utility District, and the Los Angeles Department of Water and Power. The three cover the spectrum of public power agencies: the CPAU is a city department in a small Bay Area community, the SMUD is a municipal utility district, and the LADWP is a large city agency in an area with even more complex power needs than San Francisco.

As the chart demonstrates, all of the public utilities have lower rates than PG&E does: the CPAU's rates are 43 percent lower, the SMUD's are 30 percent lower, and L.A.'s are 22 percent lower. Put another way, a typical public power customer in Palo Alto pays \$488 a year less for electricity than a PG&E customer pays in San Francisco.

One obvious reason: public power agencies spend a lot less money on overhead. PG&E spends millions and millions of dollars on overpaid executives — its CEO, Robert Smith, who steered the company into bankruptcy, made \$1.3 last year; the director of the SMUD earns \$262,121. PG&E had 47 employees making more than \$250,000 last year; none of the public agencies had more than one person at that level.

PG&E also spends large amounts of the ratepayers' money lobbying the state legislature for favors — more than \$2 million last year. That's 16 times as much as the SMUD spent. The Los Angeles and Palo Alto agencies spent no money on lobbying at all.

Over the past three years PG&E has siphoned off \$5.1 billion in profits to send to its parent company. That's money taken out of local communities. In contrast, the Palo Alto and Los Angeles public agencies put their "profits" — money left over at the end of the year — back into the community by transferring that money to the cities to use for other public services.

<sup>1</sup>2000 data

<sup>2</sup>2000 data

<sup>3</sup>At the state level, 1999–2000 data

<sup>4</sup>1997–2000 data

<sup>5</sup>2000 data

SOURCES: PG&E 2000 ANNUAL REPORT, PG&E 2000 77K, PGE.COM, CPAU, SMUD, LADWP, COMMON CAUSE (REPORT AND SUMMARY CHART), PUC, SAN FRANCISCO CHRONICLE.

Research by Ben Sayre



## Money and power

The big foundations are still on the wrong side.

By Savannah Blackwell

If you're going to screw the public, it helps to have some cover. That's a lesson Pacific Gas and Electric Co. has learned well.

In fact, the deregulation scheme of 1996 that led to soaring rates and crumbling service wasn't just backed by the private utilities. Some of the strongest support came from environmental groups, funded by a handful of big foundations.

The result: California legislators who took PG&E's side were able to argue that they were only doing what the environmentalists asked them to do. The disastrous deregulation bill passed easily—and efforts to overturn it with a citizen initiative were crushed.

The process of buying off the public interest community was subtle—but effective. PG&E gave money directly to a lot of organizations (see "PG&E's Web of Influence," page 22), and foundations simply refused to fund anyone who opposed deregulation or supported public power (see "The Energy Elite," 10/9/97).

Since public interest groups increasingly rely on foundation money to stay in business, that's an effective strategy: The groups that get the funding can hire staff, do research and political organizing, and present an effective message. The ones that don't do what the foundations want remain small, underfunded, and less able to be politically effective.

Now the world of energy policy has changed. PG&E's in bankruptcy court, deregulation is largely discredited, and there's a successful grassroots move for public power on the November ballot in San Francisco. Around the country groups like Ralph Nader's Public Citizen in Washington, D.C., and fellow consumer activist Harvey Rosenfield's San Diego-based group, the Foundation for Taxpayer and Consumer Rights (FTCR), are mounting a new effort to promote public control of energy resources.

So where are the big foundations that helped PG&E create the mess and the environmental groups that did their dirty work? With few exceptions, they're still up to the same tricks.

The municipal utility district initiative has the support of most of the local green groups, including the Sierra Club, the Green Party, and San Francisco Tomorrow. And it will likely get the official endorsement of the Consumers Union, according to officials from that organization.

But while the large, moneyed foundations that supported deregulation have pretty much given up on it, they still aren't helping to promote effective progressive change. Organizations that fight to replace private utilities with public power or that oppose a state bailout for bankrupt utility companies still aren't getting funded.

### NRDC's friends

The group most responsible for creating the veneer of environmental friendliness that sugarcoated deregulation was the Natural Resources Defense Council, whose utility-friendly policies were articulated by energy policy director Ralph Cavanagh.

The \$45 million-dollar Energy Foundation, based in the Presidio National Park, funds Cavanagh's work for the NRDC. And in 1996 the foundation pulled the plug on grants to groups fighting the notion that ratepayers should be responsible for paying off the utilities' investments in nuclear power.

The even wealthier Pew Foundation, the influential Philadelphia-based outfit that funds many nonprofits, including the Energy Foundation, with money from the philanthropic arms of private industry, including oil, likewise steered funding away from any groups opposed to deregulation (see "Bailout Battles," 12/3/97).

According to Public Citizen, Pew has quietly backed away from involvement in deregulation issues since California's version proved disastrous when rates shot sky-high in San Diego in summer 2000. Instead, Pew is now focused on the noncontroversial area of slowing global climate change through energy policy.

"I think Pew is getting out of [deregulation] issues," Public Citizen executive director Wenonah Hauter told us. "I think it's been an embarrassment to them."

But Hauter said that while it's helpful that the foundations are no longer as actively involved, the situation has not changed fundamentally, because money from those outfits still does not flow to groups fighting the utilities.

"You're still not able to get money for fighting deregulation, not from the big foundations," Hauter said. "In that sense nothing has changed."

Pew representatives either refused to answer questions about the shift in focus or did not return phone calls seeking comment.

### Memory loss

According to the FTCR, which organized the unsuccessful campaign to overturn deregulation, the Energy Foundation also would prefer that no one recalled the role it played in deregulation.

"Everybody knows deregulation failed. But what people don't always remember is that a few environmental groups were amongst the chief cover for the passage of this lunacy," Doug Heller, consumer advocate at the FTCR, told the *Bay Guardian*.

The FTCR is still actively fighting against the utilities in Sacramento and has been trying to thwart efforts by Gov. Gray Davis and some legislators to bail

out the corporations. It supports state and local power efforts.

The Energy Foundation isn't doing anything to oppose the bailouts. Its representatives still insist that deregulation had its advantages.

A report recently published on the foundation's Web site admits that the utilities' undue influence on the legislature led to problems in the market, but it does not mention the nonprofit's role in funding groups friendly to the utilities' interests.

The Energy Foundation isn't doing much of anything for public power. When asked if the foundation is supporting any groups pushing for greater public control of energy service, program officer Bentham Paulos said the outfit is funding a group in Ohio that is pushing for community aggregation (the form of public power least feared by private utilities). But, he said, the foundation still neither supports nor opposes public power and takes no official position on campaigns.

Paulos did say that he agrees public power can lead to environmentally friendly energy policies. "I feel somewhat optimistic about San Francisco [going into the power business]," Paulos told the *Bay Guardian*.

But if you're a group working to get the private utilities out of the energy business, don't look to the Energy Foundation for money.

For his part, Cavanagh still won't say deregulation was a mistake. A report on the NRDC's Web site dealing with the California crisis and coauthored by Cavanagh says nothing about mistakes or problems with the market, much less Cavanagh's part in the whole mess. And neither Cavanagh nor the NRDC is backing any public power campaigns. Instead he's arguing that private utility profits should be linked to reliable service. Cavanagh did not return *Bay Guardian* calls for comment by press time.

Public Citizen says this is the same tired, ineffective, procorporate line NRDC has always given.

Tyson Slocum, Public Citizen's research director, told the *Bay Guardian* the group is doing what it can to spread the word on the policy level, discussing the merits of publicly controlled electricity service at activist policy discussion groups. "We've got to reintroduce public accountability into electricity markets," he said.

Nettie Hoge, director of the Utility Reform Network, told the *Bay Guardian* the consumer group also believes public ownership and control of electricity services is the best solution to the current mess.

"We're totally supportive of public power, and we are looking at the particulars of the two measures," Hoge said.

Too bad she can't get any serious money from the big-dough energy foundations to back up that talk. ♦

A longer version of this story appears at [sfbg.com](http://sfbg.com).

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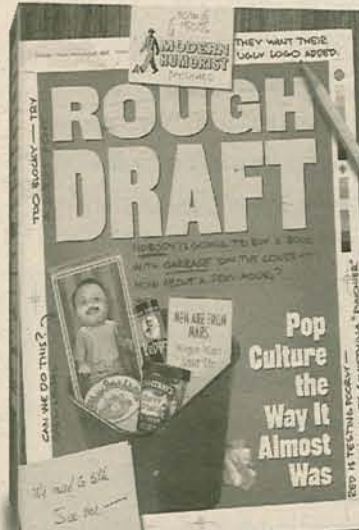
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# THE CASE FOR **MUD** Power blackout

Why is the *Chron* ignoring public power? By Tali Woodward

**S**an Francisco voters have a unique chance on Nov. 6 to completely revamp the way energy is generated and delivered in this city. But our major daily paper, the *San Francisco Chronicle*, has hardly even acknowledged the two historic public power initiatives on the ballot, even in the context of the statewide energy crisis.

The *Chronicle* is not exactly revered for its penetrating local coverage, but still, it's striking that the *Los Angeles Times* has done a better job explaining what is at stake in San Francisco. That paper ran a 1,500-word story Oct. 1 that included thorough descriptions of all the measures and detailed comments from both supporters and opponents. The story, written by Maria La Ganga, emphasized that Proposition F and Measure I are the only public power initiatives currently being considered in the state. It also explained how Propositions B and H — which have gotten cursory coverage in the *Chron* — would jump-start groundbreaking solar energy projects.

The *Sacramento Bee* ran a story Oct. 1 about the two public power initiatives. And the *New York Times*, which published a story on the burgeoning public power movement here back in January, has recently contacted campaign workers from MUD Now about another story.

Meanwhile, our hometown paper has provided only spotty coverage.

When supporters who were trying to get a municipal utility district measure on the ballot last fall kept encountering hurdles, the *Chron* was there. Within a month's time the paper did four stories that went into detail about how public power advocates were being stymied. Once the MUD initiative was placed on the ballot in February, coverage tapered off. While most media have understandably focused on international events during the past month, the *Chron's* only mention of the MUD initiative since July was a passing reference in an Aug. 1 story about the Department of Elections.

Sometimes it's seemed that the *Chronicle* staff is entirely unaware of the energy initiatives. A Sept. 1 column by Mark Simon about possible changes to the Hetch Hetchy system didn't mention the public power measures. Neither did a lengthy piece by Hal Plotkin posted Oct. 4 on S.F. Gate ([www.sfgate.com](http://www.sfgate.com)), the paper's Web site, that said mounting tensions in the Middle East should prompt California to make a renewed push for energy independence.

When the *Chronicle* has referred to the MUD initiative, it has usually managed to be dismissive. A March 11 story

by Ed Epstein quoted Mayor Willie Brown characterizing the initiative as "a hoax" that "has no promise of reduction in rates or production of electricity supply." No more information about the proposal was given. A story that ran a month earlier under the headline "Public Power Is Looking Appealing" was devoted mostly to outlining the practical difficulties in switching to a public power system.

And the *Chron* has never delved below the surface in its local energy coverage. At any other metropolitan paper in the country, a reporter would have almost certainly been directed to take a longer look at the proposals, simply because they could have far-reaching implications for residents. But that doesn't seem to have happened here. *Chronicle* managing editor Jerry Roberts did not return phone calls from the *Bay Guardian*.

Ross Mirkarimi, the campaign director for three of the energy initiatives, told the *Bay Guardian* that the *Chronicle* has willfully ignored the campaigns. "If the paper was doing its job, the campaign would almost run itself," he said. "And I think that's why the *Chron* writes us off its radar — it's aiding and abetting PG&E."

The Hearst Corp., which sold the *San Francisco Examiner* and took over the *Chronicle* last year, has a long history of siding with Pacific Gas and Electric Co. in battles like this one that threaten the company. That may or may not explain the paper's treatment of the energy measures, but there's no denying that the *Chronicle* has once again failed to provide its readers with rudimentary information about a significant local issue. ♦

E-mail Tali Woodward at [tali@sfbg.com](mailto:tali@sfbg.com).

## What happened to Hearst?

**H**ow San Francisco ended up with Pacific Gas and Electric Co. as its utility company is an intriguing tale of federal investigations, corrupt city officials, and a greedy energy corporation that stopped nothing short of extorting votes to do business here despite a public power mandate.

Perhaps it's one of the biggest scams ever to be pulled off in the United States — certainly in San Francisco. And it's always been intriguing to look at the role the city's newspapers played.

In the early days, when the *San Francisco Chronicle* was firmly behind PG&E, William Randolph Hearst's *Call* and *Examiner* were strong proponents of municipal power, running big front-page stories rooted in populist, anti-big business belief.

But by the mid 1920s, Hearst's papers were promoting a position much friendlier to PG&E. No longer would Hearst stand in the way of a privatized water and electricity system.

Many have speculated as to why. For example, Frank Havenner, a longtime San Francisco supervisor and later a U.S. representative, told author Joe Neillands in a 1969 *Bay Guardian* story that Hearst was paid off by PG&E after the utility started buying full-page ads in Hearst's papers.

But according to *The Chief* (2000, Houghton Mifflin), a new Hearst biography written by David Nasaw, there may be another reason why Hearst abandoned the Raker Act mandate.

In the mid 1920s, overleveraged and desperate that no bank would lend him funds to keep his growing and nationwide empire afloat, Hearst turned to Herbert Fleishacker, president of the London and Paris National Bank in San Francisco.

Fleishacker was one of the leading advocates in the push to privatize the city's water and electricity systems.

Soon after, according to a Hearst-penned letter that appears in Nasaw's book, Hearst was instructing his ranks to maintain "pleasant relations" and to refrain from criticizing "Mr. Fleishacker or his enterprises."

Nasaw did not relay the precise deal that Hearst and Fleishacker struck, but we do know that Hearst changed its policy on public ownership of Hetch Hetchy and supported PG&E and generally censored or distorted its PG&E coverage up to the present day. (For an example of how PG&E influences the press, see "How PG&E Wired City Hall," 3/30/88.)

For a complete chronology of San Francisco's fight for public power go to [www.sfbg.com/News/pgande/pgechron.html](http://www.sfbg.com/News/pgande/pgechron.html).

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## Bay Guardian staff at work and play



Classified account executive Michelle Maghes, I.T. director James Curnow, classified account executive Ryan Loisselle, and promotions associate Mark Lindley work the crowd at the Bay Guardian's Progressive Opportunities Job Fair.



Bay Guardian staffers — top row, from left, Barbara Salge, James Curnow, and Laird Archer; bottom row, from left Chris Romero, Scott Hassenflu, Kristin Santosuosso, Sandy Lange, Camille X. Goss, Jean Dibble, and Bruce B. Brugmann — join forces with Taiko Dojo for the annual LGBT Pride parade.



Reporters Rachel Brahinsky and A.C. Thompson display their awards at the East Bay Press Club's awards banquet.



Designer and staff photographer Lori Spears and entertainment account executive Dulcinea Gonzalez unwind after completing another epic Best of the Bay issue.



Managing editor Melissa Houston and retail sales manager Coni Herndon do their best sorority sisters impression.



Music account executive Chris Owen, right, gets his Christmas bonus at the Bay Guardian's holiday soiree.



Have a good time, dammit! Editor and publisher Bruce B. Brugmann kicks it with national sales manager Nancy Hui and Macy at the Bay Guardian's Best Block Party in San Francisco.



What's up with the hit piece? Oakland mayor Jerry Brown chops it up with editor and publisher Bruce B. Brugmann as business development coordinator Christina Beach looks on. Our sources say no horse-trading was involved.



Taking a cue from Barry Bonds, the Bay Guardian's softball team, the Hellraisers — standing, from left, Freddy Pool, Kevyn Bridgeman, Jessica Atwood, Chris Owen, Jody Colley, Derek Song, Matt Howe; kneeling, from left, Madigan, Adam Shandobil, Sandy Lange, Dulcinea Gonzalez, Jon Maples, Jeannette Gonzalez — stomped the competition this year. They snagged the division title and made us all proud.



Circulation representative Todd Morpheu, advertising account executive Joe Matheson, accounting supervisor Laurie Kunkler, and retail sales manager Coni Herndon mug it up at the Bay Guardian's Best Block Party in San Francisco.